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SECURITY INFORMATION

Mr. Millikan: I have asked Mr. Hansen to come over this afternoon to give us a report on the way in which he sees the meshing of the Economic Intelligence Committee activities with those of the Battle Act Administrator. There was a great deal of intelligence content in the whole economic warfare program, and a great deal of machinery is being set up to conduct this program. We want to be sure to consider how the machinery can be meshed.

Mr. Hansen. I will try to tell you a little of what we are doing and why. Your knowledge of the work of the EIC is greater than mine. To start out, we can assume that you are familiar with Public Law 213 which sets US policy concerning economic controls in legislative form. We operate under injunctions to that Act but the particular field of policy involved is contained in NSC decisions, the major one of which is NSC-104/2.

There is a problem as to who has primary responsibility in certain areas called for under NSC-104/2. Public Law 213 spells out some responsibilities as being dual between State and MSA on the basis of NSC-104/2 and Public Law 213. In order to get around problems of jurisdiction and overlapping interests and responsibility<sup>ies</sup>, we have undertaken, with the Department of State, a memorandum of agreement or understanding as to how this will operate. The National Security Council formerly had an East-West Trade Committee with responsibilities for activities to be carried out under

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NSC-104/2. This was mostly a State problem. The East-West Trade Committee has now been dissolved and the Mutual Defense Advisory Committee under Admiral Dupre has taken its place. Under the memorandum of understanding worked out between State and ODMS, when a problem in the Economic Defense field comes up and there is a question of whether responsibility falls to MSA under Public Law 213, or to State under NSC-104/2, Admiral Dupre and Mr. Thorpe, or Mr. Acheson and Mr. Harriman decide who will undertake primary responsibility in that particular case. In any case, MDAC is the "work horse," and Dupre may sometimes be working for Acheson.

Under the Mutual Defense Advisory Committee, which includes agencies here represented plus export-import bank etc., we have a staff committee (working level), a steering group, composed of State, MSA, etc., and a Board of Directors of the Advisory Committee. The MDAC functions much the same as the EIC. That group allocates work, decides on projects to be undertaken, and steers work to subcommittees and working groups.

We have just added an appendage to this organization -- a public advisory board. This had been the major board to advise Mr. Hoffman and now advises Mr. Harriman on questions of foreign area programs. This will be an advisory board for economic defense problems. Its members have been given classified briefing, and it will continue to be the key on certain phases of our activity. The Advisory Board will not only share responsibility for parts of this policy, and action taken under this policy, but will attempt to bring about public support of our program and of administrative policy.

Under the staff committee, in response to a directive from the steering

group, we have set up several working groups engaged in studies like the EIC subcommittees and working groups. The first of these is an Exceptions working group composed of representatives of about 5 agencies. Members are not strictly representative of their agency in that they were chosen for their particular ability to contribute as individuals to the Exceptions working group, and in addition, were chosen in respect of what effort in their agency they can bring to bear on the various problems they are handling. The Exception's problem under the Battle Act so far has called for the handling of two areas: (1) the prior commitments problem, in which we ask other countries for the major extent of their problem in East-West trade, and for listings of what they had agreed to ship (e.g. the Danish tanker case). As a result of the work of this group and their recommendations on the Danish tanker case, the Danes have agreed not to ship tankers to Poland and the US has agreed ~~not~~ to supply the cost of the coal. (2) the Title II working group. Under Public Law 213 and NSC-104/2, there is a large area of negotiation for elements other than the pure listing of items on the embargo list. These include the rendering of technical advice and assistance, the negotiation of special proposals, and the trends of trade problem in respect of formal international action for agreement. The Title II working group, aside from its political connotation for Exceptions, is the area of greatest emphasis on our program. We want to work out a common listing of countries under NIE-59 and others for which, under the general injunction of the Battle Act, we will work out programs. We have set up a free port study group to study free ports in the low countries, and hope to be able to take advantage of the general progress

being made in the control of free ports. We also have a Collective Measures working group. This group was previously the CMC which worked out proposals to the United Nations as to measures to be taken against aggressors. The second phase of this work is now upon us, and the problem has been moved to our Advisory Committee. We have about 5 agencies represented, individuals being selected particularly for their own contributions. Another working group is in the preclusive buying or preemptive operation area. The National Security Resources Board sent a paper to the National Security Council calling for further work to be done on this. The National Security Council referred the problem to our Advisory Committee. We will work in the next thirty days to outline the magnitude of the problem.

We have other studies going on outside of the working group structure but which are almost as formal: (1) long term dependents studies and (2) major vulnerability study, which CIA is undertaking. These will have a great deal of interest throughout the intelligence community.

We have set up a statistical reporting section in the Department of Commerce. It comprises 26 people and services all agencies in the economic defense field with basic statistics. A new State Department foreign reporting circular on trade and other economic relations has been prepared which rescinds almost all outstanding reporting circulars in this area. This statistical reporting section in Commerce will be partially paid for by MDAC.

We are discussing at present and hoping for the building up of special staffs in OIR to carry on specific aspects of the program on the

research side. We are also building up our research staff in the MSA Economic Defense Section, and may discuss soon with Defense the possibility of their adding people to their staffs for this work.

In the field, we have a general country team approach. Raymond Miller is on the Paris staff, which will back-stop the US delegation to CoCom in Paris and generally oversee the work of the interagency panel now set up in Paris to review the work coming through the Paris mission to us. There is a proposal to send a team to Japan soon which will generally work out in multilateral framework for taking care of the Far Eastern pattern. We will be pleased to discuss these teams with any interested agencies. A great deal of intelligence falls away because it has not been put into the proper channels and it is hoped that this group will be able to survey intelligence reporting in the field adequately and take from the flow of information those reports which can be transmitted into action under this program.

It is <sup>fairly</sup> ~~fully~~ obvious that we have great interest in the work coming out of the Economic Intelligence Committee. Very shortly after we have surveyed and know the status of studies here and what has been involved, we will be requesting formally in the EIC other studies requiring long-range research.

[ We are attempting, on another side of this, to get into the operational and day-to-day side of reporting in this field, and attempt to mobilize this ~~information~~ intelligence material more effectively than in the past.

Mr. Millikan: In terms of relations of our work to yours, one or two things emerge. My own feeling is that your view that the Economic

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Intelligence Committee can be of most assistance to you in the longer-range research activities is a correct one. My feeling is that operational intelligence support ought to be organized primarily by the agency responsible for the operation. Any committee structure necessary to set<sup>up</sup> for the purpose of giving guidance to the MDAC on operational matters should be a committee structure under the general control of MDAC, and therefore it is quite appropriate that the various agencies represented here might be called upon to supply operational support of one kind or another. Where there are fairly long-run jobs like NIE-59 which require the mobilization of research resources on fundamental problems of interest to the national security, we would be very happy to consider anything the MDAC wants to lay before us in that connection. We would also, since this committee has general responsibility for keeping in touch with the intelligence activities in the economic field relating to national security, appreciate it if we could get occasional ~~support~~ further reports as to what is going forward of the kind you have given today.

Hansen. We are, wherever possible, circulating among the interested agencies various documents coming out of the steering group and out of the Advisory Committee. You can find the point of contact in your agency for review of these documents. By and large, however, our shop is a user group and is not preparing studies itself.

Mr. Millikan. There is one problem which may arise and is a matter for solution within Mr. Hansen's agency. The only possible problem of coordination I see is one of this general character--you will have

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committees on which are represented agencies with both operating and research wings. Where you have such a committee and the operating wing of a member agency supplies representatives, there may be intelligence problems arising, such as a suggestion that more information is needed on this thing or the next. The situation may arise in which the operating official will go back to his agency and levy a piece of work which someone else is planning to do or which may be already in the works. It is important within your framework to make sure that, through this kind of channels, duplication and unnecessary work does not arise.

Mr. Hansen. We put out an operational memoranda each time a study, whether short-term or long-term, is requested. These OM's are circulated on the Advisory Group level throughout interested agencies. We do occasionally ask for special projects to be done which are not published in an OM, but in most cases these are on a "need-to-know basis<sup>(n)</sup>", and are cleared with the tops of the agencies. I hope that anyone having either further interest or problems will bring them up. We are circulating as much paper as we can.

Mr. Millikan. The number of units likely to be involved is minor so that in time people working on the problem will get to know each other informally and will have informal contacts throughout the various agencies.

Mr. Hansen. We will have one man on liaison for intelligence work. Mr. Francis McIntyre will be our research director for all long-term projects.